NOVEMBER 2025

Hong Kong's Resurgence:

Proving the Pessimists Wrong – An Update

LINK
Real Estate
Partners

By Link Asset Management Limited

Hong Kong's Resurgence:

Proving the Pessimists Wrong – An Update

"Pessimists see only the scars of the past decade; the data tell a different story. Growth is quickening, capital is returning, and real estate is shifting from drag to driver as Hong Kong leans into its role as China's outward-facing financial hub. This paper charts that resurgence, explains what has changed since our January report, and sets out why the city is once again confounding its doubters."

Introduction

In January, we published a report highlighting the signs of green shoots for Hong Kong's (H.K.) economy[1]. Ten months on, the signs of a recovery are more strongly evident, not least in the fact that economic growth in Q3 hit 3.8%[2] on an annual basis, which is the strongest since 2018 (excluding the pandemic).

Moreover, after six years of stagnant or declining property values, there are now signs that a low is closer to hand, and that the real estate sector may be turning from a headwind to a tailwind for the economy. Transaction activity shows a clear improvement with the number of residential sales up 20% from January to October against 2024[3], signalling a return of buyer confidence.

The city's property downturn has been one of its longest on record, yet such extended corrections are not unusual. After the Asian Financial Crisis of 1997 property prices fell for six straight years. The pattern then, as now, was clear: once macro conditions stabilise, Hong Kong's real-estate markets can and do recover given fundamental strengths including institutional structure, world class financial infrastructure and dense connectivity to the Chinese Mainland and the world.

That historical lesson is highly relevant today. U.S. interest rates have been easing on the back of a slowing American economy, which determines H.K.'s monetary policy. At the same time China is pivoting toward supporting consumption growth. Both U.S. monetary policy and China's economic growth have been headwinds in recent years, but a turn in both suggests the conditions are being put in place for a durable economic recovery in the city.

What We Got Right: The Rebound is Real

The central thesis of our January 2025 report, that H.K.'s economic and property market fundamentals were intact, and would re-emerge as global conditions stabilised, appears to have been confirmed. Real GDP grew 3.8 percent in the year to Q3[4] and is now outpacing Singapore[5] which registered 2.9% growth over the same period.

Unemployment in H.K. has been edging higher in select industries but interest rate cuts and rising wealth from the housing and equity market have supported a rise in household consumption of 2.1%[6] in the year to Q3. Consumer spending is the strongest in almost seven years (outside of the pandemic period) and confirms that confidence is starting to improve. Several factors have contributed to the upturn and are likely to carry momentum forward which we outline below:

1. Financial Market Revival

H.K. has re-established itself as the leading offshore IPO venue for Chinese Mainland corporates. For the year to Q3, stock exchange IPO proceeds reached USD 23.6 billion (up 227% from 2024), and by far the highest of any exchange globally.

Rebounding financial market activity has spilled over into professional services: law, accounting, and asset-management firms have expanded hiring and real estate space requirements. Office using industries such as finance and professional services have expanded hires and employment is at a record high, and up almost 2% in the past year[7].

1 Source: www.laml.com/en/news-and-insights/research-and-insights/hong-kong-s-rebound-the-reports-of-my-death-have-been-greatly-exaggerated/
2 Source: www.censtatd.gov.hk/en/web_table.html?id=310-30001
3 Source: www.rvd.gov.hk/en/publications/property_market_statistics.html
4 Source: www.censtatd.gov.hk/en/web_table.html?id=310-30001
5 Source: www.singstat.gov.sg/-/media/files/news/advgdp3q2025.ashx
6 Source: www.censtatd.gov.hk/en/web_table.html?id=310-30001
7 Source: www.censtatd.gov.hk/en/web_table.html?id=210-06305. We define office using as financial, insurance, real estate and professional and business services.

2. Tourism and Consumption

Retail activity is starting to recover. Retail sales gained 5.9% in the year to September[8]. Small and medium sized retailers reported in September and October a rise in current receipts, and an improved outlook which puts sentiment at its highest in almost two years[9].

But for the year to date (excluding car sales) sales are only slightly higher than in 2024. The latter indicates that the recovery is still gradual against the background of rising e-commerce activity and the growth of cross-border shopping to Shenzhen. In Q3, northbound traveller visits rose 11% from a year ago but have slowed from 19% growth in Q2[10].

The rise of tourism to 36.5 million from January to September (up 11.9% from 2024) has given a lift to discretionary retail sales, up 6% in Q3 from a year ago. Tourism is still well off the peaks of 65 million in 2018, and as such a full retail recovery is some way off. Non-discretionary expenditures (e.g. groceries, pharmacy) also rose but by a modest 1.2% after falling 2% in 2024[11].

3. Interest Rates and Household Wealth Effects

Cuts in U.S. interest rates have brought H.K. mortgage rates down, easing debt service and helping to stabilise housing market sentiment. Lower funding costs are visible in transactions which by October hit almost 5700 units (primary and secondary), 12% more than the post 2009 average for that month. And year to date sales are up 20% against the same period in 2024 and are the highest since 2021.

With home prices up 4%[12] from the low point in Q1 2025, and equities up 70% (from an extreme low) in 2024[13], consumers are benefitting from a positive wealth effect, and this supports higher retail spending. Higher equities values though are likely to impact higher income households the most in the first instance.

4. Education and Overseas Talent Inflows

Attracting overseas talents has become a key medium-term growth driver. Inbound flows of relatively young adults support housing rental demand (rents are back to pre-pandemic peaks[14]) and economic activity. By June 2025, the Top Talent and other Pass Schemes have recorded over 300,000 approvals since 2022[15].

Moreover, with the government lifting the cap on overseas students attending the city's public universities, overseas student visas have jumped from 41,895 in 2019 to 74,466 by 2024[16]. A further rise in students is expected as the overseas cap will rise to 50% of local students next year from 40% currently[17]. This influx of talents and students should support rental housing demand, retail sales, and consumer services while replenishing the city's working-age population.

8 Source: www.censtatd.gov.hk/en/press_release_detail.html?id=5641
9 Source: www.censtatd.gov.hk/en/wbr.html?ecode=B10800152025MM10&scode=300
10 Source: Link REIT calculations based upon Immigration department statistics
11 Source: Link REIT calculations based upon Census and Statistics Department data
12 Source: Link REIT calculations based upon the Hong Kong Rating and Valuation Department and Centraline property index
13 Source: www.hsi.com.hk/eng/indexes/all-indexes/hsi
14 Source: www.rvd.gov.hk/en/publications/property_market_statistics.html
15 Source: www.immd.gov.hk/eng/menu/useful-information-statistics.html
16 Source: www.data.gov.hk/en-data/dataset/hk-immd-set4-statistics-applications-approved-student
17 Source: www.thestandard.com.hk/hong-kong-news/article/311775/Policy-Address-2025-HK-to-lift-non-local-student-quota-to-50pc

China's Fourth Plenum – A New Tailwind

China's Fourth Plenum in October 2025 pledged to "*significantly increase household consumption as a share of GDP*"[18]. The statement marks an explicit commitment to demand-side economic support. However, housing activity and home prices remain weak still. In the near term, China's property weakness is likely to continue to limit consumer spending. However, over a 3–5 year horizon, the policy pivot should support higher consumption, benefiting H.K. which is a key outbound destination for mainland tourists.

Security Policy, De-globalisation and Hong Kong's Role

The recent agreement between the United States and China in Busan, South Korea, points to a de-escalation in trading tensions, and that both sides are keeping a path open for continued trade and negotiations. This is in line with the announcement made after the U.S.-China Economic and Trade Meeting in Geneva[19] in May. The White House statement recognised the importance of a sustainable, long-term bilateral economic and trade relationship with China, which is mutually beneficial.

Nonetheless, the background of a challenging geo-political and trade situation is unlikely to change dramatically. Strategic rivalry and export controls remain in place even if tariff war risks have eased. However, this makes H.K.'s role as a global financial centre more valuable to China as it seeks to deepen engagement with the rest of the world, particularly the so-called 'Global South'. The available data for 2025 suggests that H.K.'s positioning has strengthened, centred on the role the city plays as a conduit for capital flows to and from the mainland:

- **Capital flows**: Financial flows with China are being hard-wired via expanding Connect schemes between H.K. and the mainland, such as for equities, bonds and wealth management. A REIT connect is also being proposed, allowing mainland investors access to H.K.-listed REITs. H.K. is a key channel through which global institutions and Mainland investors trade each other's markets:
    - **Northbound equities flow**: Stock Connect holds RMB 2.1 trillion[20] (USD 300 billion) of mainland assets for foreign investors. The net flow in 2025 H1 was RMB 83.6 billion[21] (c. USD 12 billion), which is double that of 2024 H1[22] (RMB 38.6 billion). It suggests an improving risk appetite for Chinese assets despite headwinds of U.S. reciprocal tariffs.
    - **Southbound equities flow**: Mainland entities have cumulative net buying of about HK$3.3 trillion[23]. The net flow in 2025 H1 was HK$731.2 billion[24] (c. USD 90 billion), up from HK$ 371.4 billion in 2024 H1. Chinese demand for H.K. equities may reflect factors such as diversification (access to U.S. dollar linked instruments), higher dividend yields, and a discount on dual listed stock[25] though the H.K. discount has been narrowing.
- **Premier IPO fundraising venue**: Mainland corporates continue to list in H.K. to raise international capital. H.K. is expected to be the top fundraising venue in 2025[26]. For the year to date, capital raising was US$ 23.6 billion[27] as noted above. There have been 67 IPOs year-to-date, while the active pipeline is at a record 289 as of Q3, up from just 86 at the end of 2024.

18 Source: www.reuters.com/world/asia-pacific/china-vows-raise-household-consumption-significantly-2025-10-24/
19 Source: www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva
20 Source: www.hkex.com.hk/Mutual-Market/Connect-Hub/Stock-Connect?sc_lang=en&
21 Source: www.webull.com/news/13436347219820544
22 Source: www.sfc.hk/-/media/EN/files/SOM/RS-Paper/RS-paper-75.pdf
23 Source: www.caproasia.com/2024/11/26/hong-kong-exchange-commemorates-10th-anniversary-of-2-way-capital-flows-mutual-access-program-stock-connect-between-mainland-china-the-world-via-hong-kong-hosted-first-hkex-connect-summit-shanghai/
24 Source: www.sfc.hk/-/media/EN/files/COM/QR-Reports/202504-06/1-HighlightsEng.pdf
25 Source: www.hsi.com.hk/static/uploads/contents/en/dl_centre/factsheets/ahpremiume.pdf
26 Source: www.kpmg.com/cn/en/home/media/press-releases/2025/10/hong-kong-set-to-reclaim-title-as-2025-top-global-ipo-hub-says-kpmg.html
27 Source: www.kpmg.com/cn/en/home/insights/2025/10/china-hk-ipo-2025-q3-review.html

Hong Kong's Status as China's Offshore Financial Centre

Our confidence in H.K.'s medium-term economic prospects is underpinned by its status as China's key offshore financial centre. This reflects the unique institutional framework of "one country, two systems" and H.K.'s deep connectivity with the Chinese Mainland and the rest of the world. H.K.'s position would only be seriously threatened under extreme circumstances, such as being cut off from Western financial markets. However, given its integration into global financial plumbing, such a move would risk financial instability in Asia and potentially globally.

H.K.'s position as a premier global financial hub has withstood many years of turbulence and rests on the following key foundations:

- **China's closed capital account**: Given China's closed capital account, H.K. thrives as a financial zone that facilitates money outflow from mainland China, and foreign money coming into China.
- **China's need for an offshore financial centre**: China needs access to overseas capital but through a venue over which it also retains influence. Mainland cities cannot play this role due to China's capital controls. Other cities, such as Singapore, do not have the depth of access to mainland financial markets that H.K. has been granted. H.K.'s connectivity is likely to deepen further over time, particularly with respect to the internationalization of the RMB, and the provision of a wide range of related trade and investment services as global usage grows.
- **Trusted commercial law**: H.K. has a trusted and robust commercial law system with respected courts and arbitration which gives strong confidence to global investors. The Rule of Law Index[28] for 2025 places H.K. at 25th in the world out of 143 locations; it has the same score as France and is ahead of Spain. Even if China were to remove capital controls, H.K.'s strong legal and institutional structures should ensure that it remains a major hub for global capital allocating into China.

28 Source: www.worldjusticeproject.org/rule-of-law-index/global

Commercial Real Estate Markets – Evidence for a Recovery

Macro stability in H.K. is the essential precondition for a real-estate recovery. Evidence for a recovery is not only emerging in the housing market, as noted above, but also in the commercial property sector. Lower borrowing costs, and Chinese corporate expansion (as firms seek new growth markets globally) are helping to revive office demand in the city. Also, inbound tourism from China is improving footfall to key retail districts. Some notable recent developments include:

Offices: Office leasing is now improving. Net absorption hit 401,000 sq ft in Q3, the strongest quarterly total since 2019[29]. A return of tenant demand led to a small but welcome fall in Grade A office vacancy rates to a still relatively high 13.4% in September, and down from a peak of 13.7% in April[30].

Finance, hedge funds, and professional-services tenants led activity, taking advantage of attractive rents to upgrade. Near-term office supply is a challenge but will be easier to meet if tenant demand is sustained.

Retail: High-street vacancy in core shopping districts has been volatile in 2025, rising to 8.0% in Q3 but nonetheless down from peaks of 15%+ in 2021 and 2022. Despite still relatively high vacancy rates, high street prime rents have risen 2.4% year to date[31] amid a tourism recovery.

For the wider retail market as recorded by the Rating and Valuation Department[32], retail rents were close to stabilising. In Q2 and Q3 rents fell by 0.3% each quarter compared to an average fall of 1.7% per quarter in 2024.

Capital Markets: Transaction momentum has strengthened from the 2024 trough. Non-residential deals totalled HK$ 8.9 billion in Q3, up 17.5% on the quarter[33]. The overall number of deals in 2025 is quite likely to be the highest since 2021, and at least 40% more than in 2024[34]. The value of deals has been slower to recover as large transactions have been rare.

However, some notable large deals have occurred in 2025. Alibaba's recent purchase of prime office space in Causeway Bay for over USD 900 million[35] is the biggest commercial transaction to take place in four years. The HKEX likewise bought office for its own use for over USD 800 million[36]. Although these deals alone do not signal a bottom in the market, they are a vote of confidence in the prospects for H.K.'s economy and the valuation of quality prime real estate.

29 Source: www.cushmanwakefield.com/en/greater-china/insights/marketbeats/hong-kong-marketbeat
30 Source: www.jll.com/en-hk/insights/market-dynamics/hong-kong-monthly
31 Source: www.cbre.com.hk/insights/figures/hong-kong-figures-retail-q3-2025
32 Source: www.rvd.gov.hk/en/publications/property_market_statistics.html
33 Source: www.cushmanwakefield.com/en/greater-china/insights/marketbeats/hong-kong-marketbeat
34 Source: www.rvd.gov.hk/en/publications/property_market_statistics.html
35 Source: www.alibabagroup.com/en-US/document-1915940084457144320
36 Source: www.hkex.com.hk/News/News-Release/2025/2504242news?sc_lang=en

Perspective and Outlook – History Rhymes

Today's headwinds are real. Slower Mainland growth, stresses in China's property sector, intensifying U.S.-China rivalry, and rising competition from GBA cities and regional hubs (namely Singapore) all weigh on the outlook. Yet H.K.'s institutional distinctiveness, financial infrastructure, and dense Mainland and global connectivity[37] are likely to support a transition to renewed sustainable growth.

History supports this view: after the Asian Financial Crisis hit in 1997, deflation emerged in the Chinese Mainland (especially from the late 1990s to early 2000s[38]) while at the same time the U.S. Federal Reserve tightened monetary policy into 2000[39]; both events sapped Hong Kong's economy, culminating in an extended period of property price declines. However, China's WTO entry in 2001 catalysed exports, and the Fed pivoted to rate cuts, turning headwinds into tailwinds for the real-estate market by 2003.

The rhythm is visible again: U.S. policy rates are now falling. While China's growth remains muted, what is clear is that geopolitical pressures are pushing Chinese corporates to expand abroad, and many are turning to H.K.'s strong global networks to raise capital and use the city as a gateway to new markets. Taken together, low interest rates and China's global expansion tilt the balance toward a constructive next phase for Hong Kong's economy and real estate markets.

37 Source: www.gawc.lboro.ac.uk/gawc-worlds/the-world-according-to-gawc/world-cities-2024/. Hong Kong is regarded as one of the most highly connected cities globally for finance and professional services, ranked third after London and New York.
38 Source: www.imf.org/external/pubs/ft/op/232/op232.pdf
39 Source: www.federalreserve.gov/pubs/bulletin/2000/0800lead.pdf

Contact

Milan Khatri
Head of Research and Strategy,
Link Asset Management Limited

milan.khatri@laml.com

Disclaimer

This research paper is prepared by Link Asset Management Limited, a corporation licensed under the Securities and Futures Ordinance (Cap. 571) of Hong Kong to carry out Type 9 (Asset Management) regulated activity, and its affiliates (collectively, "LAML"). The information or opinions contained herein does not constitute or form part of an offer, solicitation or recommendation to buy or sell any securities, financial products or investment funds, nor shall any such investment products or services be offered or sold to any person in any jurisdiction in which such offer, solicitation, purchase or sale would be unlawful. Further, such information or opinions may not be relied on, in any manner, as legal, tax, investment, accounting or other advice.

No representation or warranty, express or implied, is made as to the accuracy, adequacy, completeness or reliability of the information, materials, forecasts and opinions provided. Statements in this research paper are made as of the date hereof unless stated otherwise, and neither the delivery of this research paper at any time nor any sale of any securities shall under any circumstances create an implication that the information contained herein is correct as of any time after such date. Some of the information in this research paper may contain projections or other forward-looking statements which are only predictions and actual events or results may differ materially. Certain historic, economic, social, political, demographic, geographic, regulatory, market and other information contained herein may have been obtained from published sources prepared by third parties (including but not limited to certain government sources). Opinions or forecasts contained herein are subject to change without prior notice. Readers must make their own assessment and should not rely solely on the content of this research for making any investment decisions. Please refer to the relevant offering documentation for details including the securities law legends and risk factors.

Investment involves risks and there is no guarantee of the repayment of principal. Past performance is not indicative of future performance. The content herein has not been reviewed or approved by the Securities and Futures Commission or any other regulatory authority.
This research paper is intended solely for professional investors (as defined under the Securities and Futures Ordinance (Cap. 571)). Please seek independent advice from your professional advisors.

Recipients of this research paper agree that LAML, its affiliates and their respective partners, members, employees, officers, directors, agents, advisers and representatives accept no liability for any loss or damage arising directly or indirectly from the use of or reliance on this research paper or any part thereof or otherwise arising in connection therewith. Distribution of this research paper to unauthorized persons or in jurisdictions where its distribution is restricted by law is strictly prohibited.

LINK
Real Estate Partners
By Link Asset Management Limited

20/F, Tower 1, The Quayside, 77 Hoi Bun Road,
Kwun Tong, Kowloon, Hong Kong